

## PROGRAM VI: DEBT SERVICE

### SUMMARY OF APPROPRIATIONS AND REVENUES

Agency	Agency Name	FY 2003 - 2004 Appropriations	FY 2003 - 2004 Revenue	FY 2003 - 2004 Net County Cost
016	Recovery COP Lease Financing	64,403,752	64,403,752	0
019	Capital Acquisition Financing	8,855,715	7,874,237	981,478
	GENERAL FUND TOTAL	73,259,467	72,277,989	981,478
14V	Debt Prepayment	93,884,709	93,884,709	0
15J	Pension Obligation Bonds Debt Service	165,485,945	165,485,945	0
15P	Refunding Recovery Bonds	58,405,404	58,405,404	0
15Q	Pension Obligation Bond Amortization	16,000,000	16,000,000	0
15W	1996 Recovery Certificates of Participation (A)	3,123,010	3,123,010	0
599	O. C. Special Financing Authority Debt Service	168,915,242	168,915,242	0
9C0	Debt Service	266,796,927	266,796,927	0
	NON-GENERAL FUND TOTAL	772,611,237	772,611,237	0
	TOTAL DEBT SERVICE	845,870,704	844,889,226	981,478

## 016 - RECOVERY COP LEASE FINANCING

### Operational Summary

#### Description:

Make timely debt service payments on the 1996 Recovery Certificates of Participation (COPs) Series "A."

The 1996 Recovery COPs were sold in June 1996 to raise funds to pay the County's creditors. The issue amount was \$760,800,000, current outstanding principal (as of July 1, 2003) is \$607,790,000.

Debt service is paid from revenues diverted annually by State Statute for this purpose. The diverted revenues include the transportation portion of the Bradley Burns sales tax (\$38 million), Flood Control Property Tax (\$4 million), Harbors, Beaches and Parks Property Tax (\$4 million), and Redevelopment Agency Property Tax (\$4 million). Additionally this fund receives revenue from imported trash (see Fund 285) deposited in the County landfills. The 1996 Recovery COPs will be paid off in July 2026.

Any funds not needed to pay debt service are transferred from this agency to Fund 14A, Option "B" Pool Participants and Fund 15Z, Plan of Adjustment Available Cash.

#### At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	67,346,204
Total Recommended FY 2003-2004 Budget:	64,403,752
Percent of County General Fund:	2.65%
Total Employees:	0.00

#### Strategic Goals:

- Make timely debt service payments on the outstanding 1996 Recovery Certificates of Participation.

#### Fiscal Year FY 2002-2003 Key Project Accomplishments:

- Made required debt service payments on a timely basis.

### Budget Summary

#### Plan for Support of the County's Strategic Priorities:

Make timely debt service payments on the 1996 Recovery Certificates of Participation and transfer surplus funds to the Plan of Adjustment Available Cash Fund 15Z.

## Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected <sup>(1)</sup> At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	66,748,551	66,207,114	67,346,204	64,403,752	(2,942,452)	-4.37
Total Requirements	66,748,551	66,207,114	67,346,204	64,403,752	(2,942,452)	-4.37
Net County Cost	0	0	0	0	0	0.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Recovery COP Lease Financing in the Appendix on page 629.

## 019 - CAPITAL ACQUISITION FINANCING

### Operational Summary

#### Description:

To make timely debt service payments on the 2002 Juvenile Justice Center (JJC) Refunding Bonds, the 2001 Telecommunications Equipment Project Lease Revenue Bonds, and to make trustee payments for other refunded bonds.

The 1992 JJC COPs were sold to refund a 1989 COP, the proceeds of which were used to construct the Betty Lou Lamoreaux Juvenile Justice Center, Juvenile Hall Administration Facility, Juvenile Intake Facility, and parking structures. Debt service on the 1992 COPs is about 85% revenue offset from court construction revenue, the remainder is a net county cost.

The 2002 JJC Refunding Bonds issue amount was \$80,285,000, as of June 1, 2003 the outstanding principal balance will be \$77,045,000. The 2002 Bonds will be paid off in 2019. The 2001 Telecommunications equipment lease revenue bonds were sold to acquire and install the County's telecommunications infrastructure. The 2001 Telecommunications lease revenue bonds issue amount was \$10,330,000. As of June 1, 2003, the outstanding principal balance will be \$9,020,000.

#### At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	8,866,777
Total Recommended FY 2003-2004 Budget:	8,855,715
Percent of County General Fund:	0.36%
Total Employees:	0.00

#### Strategic Goals:

- Make timely debt service payments on 1992 Refunding Juvenile Justice Center Certificates of Participation and 2001 Telecommunications equipment project.

**CAPITAL ACQUISITION FINANCING** - Capital acquisition financing using certificates of participation.

**2002 JJC REFUNDING BONDS** - Lease payments and trustee activity for the 1992 Refunding Juvenile Justice Center Certificates of Participation.

**INTEGRATED COURT MGT SYS PHAS3** - Trustee activity on the 1997 Integrated Court Management System Phase III Certificates of Participation.

### Budget Summary

#### Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected <sup>(1)</sup> At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	6,388,385	8,094,372	7,956,282	7,874,237	(82,045)	-1.03
Total Requirements	7,361,663	9,076,386	8,866,777	8,855,715	(11,062)	-0.12
Net County Cost	973,278	982,014	910,495	981,478	70,983	7.80

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Capital Acquisition Financing in the Appendix on page 630.

## 14V - DEBT PREPAYMENT

### Operational Summary

#### Description:

To reduce the General Fund debt burden. Currently there is 976.4 million in outstanding in General Fund debt, of this amount \$873.6 million is from the bankruptcy recovery. By the end of FY 2003-04 the General Fund debt burden will be reduced by \$46.1 million and bankruptcy related debt will be reduced by \$39.9 million, through scheduled debt service payments.

This fund was created by Board of Supervisors action on October 20, 1999 which transferred \$27.1 million from the Debt Repayment reserve to this new fund. Subsequently, the annual strategic financial plans, corresponding budgets and bankruptcy litigation settlements have added money to this fund. The County has redeemed or defeased \$363.6 million in outstanding debt since 1998.

#### Strategic Goals:

- To eliminate or reduce the debt service burden on the General Fund. Reduction of debt releases scarce County general purpose revenues for more productive uses. Although the 2002 Strategic Financial Plan assumed further reduction in the 1995 Refunding Recovery Bond principal, no additional reduction has taken place. Recent historically low interest rates have made early redemption of additional debt economically unfeasible.
- The interest on the cash in this fund is retained by the fund. However, because anticipated debt reduction has not taken place, this fund will transfer \$1.2 million during FY 02-03 to the General Fund, Agency 100.

The next target for reduction or defeasance are the outstanding 1995 Refunding Recovery Bonds (see also Fund 15P) which have a current balance of \$240.1 million. Interest earned in this fund will be credited or transferred to the General Fund 100.

#### At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	1,250,000
Total Recommended FY 2003-2004 Budget:	93,884,709
Percent of County General Fund:	N/A
Total Employees:	0.00

### Budget Summary

#### Plan for Support of the County's Strategic Priorities:

The 2003 Strategic Financial Plan approved by the Board on March 4, 2003 does not provide for adding additional monies to this fund. The Board also did not want to use the money in this fund to fill shortfalls in County operating programs. Consequently, the \$93.8 million in the fund will remain and

will be used to pay for early redemption of the 1995 Recovery Bonds if and when that strategy is in the best long-range interests of the County General Fund.

## Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected <sup>(1)</sup> At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	59,782,716	95,134,709	95,134,709	93,884,709	(1,250,000)	-1.31
Total Requirements	1,366,712	95,134,709	1,250,000	93,884,709	92,634,709	7,410.78
Balance	58,416,004	0	93,884,709	0	(93,884,709)	-100.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Debt Prepayment in the Appendix on page 632.



## 15J - PENSION OBLIGATION BONDS DEBT SERVICE

### Operational Summary

#### Description:

This fund is used to record the debt service payments on the County's Pension Obligation Bonds: Series 1994A, Refunding Series 1996A and Refunding Series 1997A. These bonds are a General Fund obligation.

On October 20, 1999 the Board of Supervisors directed the CEO to proceed with actions necessary to eliminate this debt obligation. On March 31, 2000 and June 11, 2000, the County purchased through a tender offer 45% of the outstanding bonds, about \$288.3 million, and then cancelled them. The cost of the purchase was about \$179.0 million.

The remaining Pension Obligation Bonds with a par value of \$350,823,000, were successfully prepaid through an economic defeasance on June 22, 2000. Available funds, including the FY 1999-00 Tobacco Settlement Revenue allocation to the County, were irrevocably pledged for payment, in full, of the bonds and invested in AAA rated debt securities issued by the Federal Home Loan Bank, Federal National Mortgage Association (FNMA). The FNMA securities, along with cash on hand, will be sufficient to pay principal and interest on the bonds when due and payable.

The FY 2003-2004 budget for this fund contains appropriations to record the debt service payments made by the bond trustee from the defeasance escrow fund. There is no "out-of-pocket" payment required from the County.

#### At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	26,060,158
Total Recommended FY 2003-2004 Budget:	165,485,945
Percent of County General Fund:	N/A
Total Employees:	0.00

#### Strategic Goals:

- To record debt service payments made by the trustee on the defeased Pension Obligation Bonds.

#### Fiscal Year FY 2002-2003 Key Project Accomplishments:

- Made required debt service payments on a timely basis.



## Budget Summary

### Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected <sup>(1)</sup> At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	186,983,137	181,470,726	182,506,103	165,485,945	(17,020,158)	-9.33
Total Requirements	13,934,987	181,470,726	26,060,158	165,485,945	139,425,787	535.02
Balance	173,048,150	0	156,445,945	0	(156,445,945)	-100.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Pension Obligation Bonds Debt Service in the Appendix on page 633.

## 15P - REFUNDING RECOVERY BONDS

### Operational Summary

#### Description:

To make timely debt service payment on the outstanding 1995 Refunding Recovery Bonds.

This fund was created by Board action on June 13, 1995 to distribute the proceeds from the 1995 Refunding Recovery Bonds to the pre-bankruptcy investment pool participants and to make debt service payments. The debt service payments for the bonds are made through an "intercept" by the State Controller of a portion of the County's share of Motor Vehicle License Fee revenue which is then paid directly to the bond trustee.

The original principal amount of the bonds was \$278,790,000, however on June 29, 1998, \$31,335,000 in outstanding principal was defeased through the use of money in a reserve approved by the Board for debt pre-payment. There is currently an outstanding principal balance of \$240,110,000. See also Debt Prepayment Fund 14V.

#### At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	23,664,011
Total Recommended FY 2003-2004 Budget:	58,405,404
Percent of County General Fund:	N/A
Total Employees:	0.00

#### Strategic Goals:

- Make timely debt service payments on the outstanding 1995 Refunding Recovery Bonds.

### Budget Summary

#### Plan for Support of the County's Strategic Priorities:

Continue to make timely debt service payments.

#### Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected <sup>(1)</sup> At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	45,413,891	53,152,137	52,325,275	58,405,404	6,080,129	11.62
Total Requirements	16,319,696	53,152,137	23,664,011	58,405,404	34,741,393	146.81
Balance	29,094,195	0	28,661,264	0	(28,661,264)	-100.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Refunding Recovery Bonds in the Appendix on page 634.

## 15Q - PENSION OBLIGATION BOND AMORTIZATION

### Operational Summary

#### Description:

To record the use of the County's investment account held by the Orange County Retirement System (OCERS) for normal and unfunded accrued actuarial liability (UAAL) costs.

In 1994 taxable Pension Obligation Bonds were sold to finance the County's UAAL obligation. The County deposited \$318.3 million in an investment account held by OCERS. The investment account is a part of the OCERS investment pool and as such earns the same rate of return.

The investment account was initially used to make annual payments to satisfy the County's UAAL obligation according to a 15-year amortization schedule in lieu of County cash contributions; however, in 1996 the County and OCERS concluded an agreement by which the UAAL is amortized according to a 28-year schedule and the investment account is used to pay an annually declining portion of the County's normal cost obligation.

#### At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	45,366,736
Total Recommended FY 2003-2004 Budget:	16,000,000
Percent of County General Fund:	N/A
Total Employees:	0.00

#### Strategic Goals:

- Use of the County's investment account in the Orange County Employees Retirement System to mitigate cash contributions for normal and unfunded accrued actuarial pension costs.

### Budget Summary

#### Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected <sup>(1)</sup> At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	36,239,722	55,300,889	45,366,736	16,000,000	(29,366,736)	-64.73
Total Requirements	36,239,722	55,300,889	45,366,736	16,000,000	(29,366,736)	-64.73
Balance	0	0	0	0	0	0.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Pension Obligation Bond Amortization in the Appendix on page 635.

# 15W - 1996 RECOVERY CERTIFICATES OF PARTICIPATION (A)

## Operational Summary

### Description:

This fund recorded the receipt of proceeds from the 1996 Recovery Certificates of Participation Series A, payments to creditors and transfers to other funds in accordance with the County's Second Amended Modified Plan of Adjustment, approved by the United States Bankruptcy Court in June 1996. Surplus funds not needed for outstanding obligations are transferred to the General Fund.

### At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	4,082
Total Recommended FY 2003-2004 Budget:	3,123,010
Percent of County General Fund:	N/A
Total Employees:	0.00

## Budget Summary

### Plan for Support of the County's Strategic Priorities:

Maintain sufficient funds for unresolved bankruptcy claims.

## Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected <sup>(1)</sup> At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	6,610,828	3,237,092	3,082,092	3,123,010	40,918	1.33
Total Requirements	3,573,736	3,237,092	4,082	3,123,010	3,118,928	76,406.86
Balance	3,037,092	0	3,078,010	0	(3,078,010)	-100.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: 1996 Recovery Certificates of Participation (A) in the Appendix on page 636.

## 599 - O. C. SPECIAL FINANCING AUTHORITY DEBT SERVICE

### Operational Summary

#### Description:

To make timely debt service payments on the 1995 Orange County Special Financing Authority Teeter Plan Revenue Bonds and to transfer surplus revenues to County General Fund 100 Agency 016 as provided for in the Second Amended Modified Plan of Adjustment. The surplus transfer to Agency 016 ended in FY 2000-2001, future surplus transfers will be made to Fund 100, Agency 100.

In 1995 the Orange County Special Financing Authority issued \$155,000,000 of revenue backed bonds: Series A (taxable) \$32,375,000; Series B, \$20,625,000; Series C, \$34,000,000; Series D, \$34,000,000; and Series E, \$34,000,000. The proceeds of the bonds were used to pay the holders of the County's 1994-95 Teeter Notes and to fund an on-going Teeter Program.

The use of long term bonds to fund the Teeter Program is unique to Orange County and is authorized by special State statute. The Teeter program is an alternate secured property tax distribution plan. Normally the secured property taxes actually collected by a County are distributed to taxing agen-

cies (e.g. school districts), resulting in less than 100% of the tax levy being distributed because of delinquencies. Under the Teeter Plan, the County distributes 100% of the levy to the taxing agencies and in exchange receives the right to keep the delinquent taxes, penalties and interest.

The Orange County Special Financing Authority was set up in 1995 to administer the Teeter Plan in Orange County. The penalties and interest collected on tax defaulted properties provide the revenue to pay the debt service on the Teeter Bonds and, if available, surplus revenue is released to the County General Fund. The Board of Directors of the Authority are the members of the Orange County Board of Supervisors.

As of November 30, 2002, \$123,725,000 in principal was outstanding from all five series. The Teeter Bonds will be paid off in 2014.

#### At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	45,295,743
Total Recommended FY 2003-2004 Budget:	168,915,242
Percent of County General Fund:	N/A
Total Employees:	0.00

#### Strategic Goals:

- Make timely debt service payments and provide surplus revenue for the bankruptcy recovery as contemplated in the County's Second Amended Modified Plan of Adjustment.

#### Fiscal Year FY 2002-2003 Key Project Accomplishments:

- Made debt service payments on a timely basis.

### Budget Summary

Make annual transfers of surplus cash to the General Fund.

#### Plan for Support of the County's Strategic Priorities:

## Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected <sup>(1)</sup> At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	202,328,285	159,768,130	169,210,985	168,915,242	(295,743)	-0.17
Total Requirements	77,760,154	159,768,130	45,295,743	168,915,242	123,619,499	272.92
Balance	124,568,130	0	123,915,242	0	(123,915,242)	-100.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: O. C. Special Financing Authority Debt Service in the Appendix on page 665.

## 9C1 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Assessment Districts.

### 9C1 Funds

Agency Number	Assessment Districts	FY 2003-2004 Appropriations		FY 2003-2004 Revenue	
433	Golden Lantern Reassess. Dist. 94-1 Debt Service	\$	5,204,859	\$	5,204,859
507	Irvine Coast Assess. District 88-1 -Debt Service		22,160,420		22,160,420
525	Assess. Dist. 01-1 Newport Coast IV - Debt Serv.		3,955,000		3,955,000
551	Assess. Dist. 92-1 Newport Ridge - Debt Service		1,900,306		1,900,306

## 9C2 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Orange County Development Agency.

### 9C2 Funds

Agency Number	OC Development Agency	FY 2003-2004 Appropriations		FY 2003-2004 Revenue	
172	OCDA Debt Service (Santa Ana Heights)	\$	14,865,670	\$	14,865,670
427	OCDA (NDAPP) - Debt Service		18,701,537		18,701,537

## 9C3 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Community Facilities Districts.

### 9C3 Funds

Agency Number	Community Facilities District Construction Title	FY 2003-2004 Appropriations		FY 2003-2004 Revenue	
479	CFD 99-1 Series A of 1999 Ladera - Debt Service	\$	4,540,962	\$	4,540,962
482	Special Mello-Roos Reserve		35,153,430		35,153,430
484	Rancho Santa Margarita CFD 86-2 - Debt Service		4,464,488		4,464,488
487	Ladera CFD 2002-01 Debt Service		13,550,000		13,550,000
488	S. Margarita CFD 86-1 (Series 1988) - Debt Serv.		7,253,078		7,253,078
490	Dimensions/Serrano Creek CFD 87-1 - Debt Service		2,183,880		2,183,880
492	Mission Viejo CFD 87-3 (A) - Debt Service		12,529,079		12,529,079
494	Aliso Viejo CFD 88-1 - Debt Service		46,912,954		46,912,954
496	Lomas Laguna CFD 88-2 - Debt Service		517,523		517,523
501	R. Santa Margarita CFD 87-5(A) - Debt Service		2,237,943		2,237,943
503	Portola Hills CFD 87-2(A) - Debt Service		5,852,299		5,852,299
505	Foothill Ranch CFD 87-4 - Debt Service		26,626,717		26,626,717
509	Rancho Santa Margarita CFD 87-5B - Debt Service		5,660,533		5,660,533
511	Baker Ranch CFD 87-6 - Debt Service		2,207,587		2,207,587
513	Coto de Caza CFD 87-8 - Debt Service		5,434,913		5,434,913
515	Santa Teresita CFD 87-9 - Debt Service		1,531,850		1,531,850
517	Rancho Santa Margarita CFD 87-5C - Debt Service		2,828,855		2,828,855
519	Los Alisos CFD 87-7 - Debt Service		4,032,902		4,032,902
521	R. Santa Margarita CFD 87-5D (A) - Debt Service		2,354,053		2,354,053



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## 9C3 Funds

Agency Number	Community Facilities District Construction Title	FY 2003-2004 Appropriations	FY 2003-2004 Revenue
533	CFD 01-1 Ladera - Debt Service	5,924,486	5,924,486
547	CFD 00-1 (Series A of 2000) Ladera -Debt Service	5,583,030	5,583,030
549	R. S. Marg. CFD 87-5E (A of 1993) - Debt Service	2,628,573	2,628,573

